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March 9, 1982

Harry Rowen
Central Intelligence Agency
Washington, D.C.

Dear Harry:

Last December the President announced that bilateral Science and Technology agreements between the U.S. and the Soviet Union would not be renewed this July because it was thought, at least in part, that the benefits of these exchanges accrued onesidedly to the Soviets. The administration appears to believe that the Soviets have little technological know-how to offer the U.S. and that the U.S. receives no compensatory benefit from joint scientific exchange.

Based on my own experience at the Central Economics and Mathematics Institute in Moscow neither of these suppositions is correct, and if the U.S. implements its stated intention to terminate the S&T agreements I believe American national security analysis will be greatly impaired.

The S&T agreements provide one of the most effective means I know for testing theories of Soviet economic behavior and obtaining reliable intelligence on how the Soviet system functions. If one begins with the premise that Soviet military and civilian economic potential are well understood; that the limits to effective economic reform are self apparent; that Soviet science, technology and engineering are retrograde, and cannot be efficiently harnessed because of the cumbersomeness of central planning and the deficiency of Soviet management, it of course follows directly that the U.S. doesn't need a mechanism for testing the merit of its perceptions, and that any compensatory benefits that might accrue from the S&T agreement cannot redress the overall imbalance.

This premise however cannot withstand serious scrutiny. For the past two decades U.S. policymakers have deceived themselves about Soviet civilian and military economic performance; as well as Soviet advances in pure and applied science. The government has not only underestimated the Soviet arms buildup; the real rate of Soviet economic growth; exaggerated

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the Soviet oil crisis; predicted a cataclysmic balance of payments crisis; persuaded itself that the Soviets were critically dependent on authorized Western technology transfer; but has lulled itself into the belief that these failings make the Soviets vulnerable to U.S. leverage. If our theory of Soviet economics were as powerful as is often supposed, none of these errors would have occurred, or have been permitted to serve as a basis for national policy.

This conclusion suggests that in devising effective national security policies for the eighties, it is imperative that mechanisms be established which permit close monitoring of Soviet achievements in applied sciences and industrial management. This sort of monitoring is difficult to accomplish from afar, especially when our pool of trained specialists is so small. During the last 8 years less than 2 Ph.D.s per year have matriculated from major U.S. universities in the field of Soviet economics, and even here the training has been perilously narrow. The Science and Technology agreements if properly coordinated provide an ideal vehicle for redressing both deficiencies. They allow researchers like myself to plumb the real working arrangements of the Soviet economic system; its robustness, its staying power, its invulnerability to external pressure, its military-economic characteristics, while enabling young specialists to appreciate the competence of Soviet scientists, their approach to problem solving and to appraise advances as they are being made.

A comprehensive understanding of the forces shaping the evolution of Soviet growth potential, it seems to me is of vital national security interest, that must be given full consideration in framing our policy toward the S&T agreements. With this in mind, I therefore suggest that the administration's position on the S&T agreements be rethought before July 7, when all bilateral exchanges are scheduled to terminate. Concretely, you might consider:

1. recommending to Stearman, Keyworth, McGaffigan, Buckley, Scanlan, Pipes and the Council on Exchange (under the aegis of the CIA) that the administration's position on the Science and Technology agreements be fine tuned to encourage and facilitate joint research that enables us to monitor Soviet achievements in applied science and economic management.
2. convening a small group of interested parties to examine the merit of the issues I have raised.

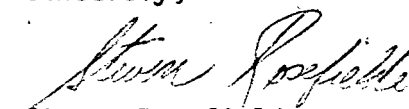
For my own part, I am prepared to respond to any queries you might have on this matter, and would be willing to discuss the issue with anyone you think appropriate.

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Best regards,

Sincerely,



Steven Rosefielde
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Enclosures

cc: Pat Parker

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